

# Swoosh, Pipe, Z, L & W... Shape of Our Future

## What's in a Shape

From Nike's swoosh to smoking pipes, experts use interesting shapes to describe India's economic recovery

### Nike swoosh

- 1 Sharp plunge
- 2 Short stay at the bottom
- 3 Gradual climb



### Smoking pipe

- 1 Broad-based decline
- 2 Recovery spanning 2-3 quarters



### V-shaped

- 1 Steep decline in 1 quarter
- 2 Strong recovery in the next quarter



### W-shaped

- 1 Sharp fall followed by recovery
- 2 Recovery falters
- 3 Strong recovery again



Illustration: ANIRBAN BORA

## Predicting recovery graphs, economists add cool shapes to plain vanilla V or U trajectories

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**New Delhi:** Economists just love graphs — and those graphs have never been as cool. As practitioners of the dismal science plot possible recovery paths of Covid-hit economies, they have added new shapes to plain vanilla V or U trajectories.

There's the Swoosh, a recovery pattern that looks like Nike's famous logo. There's the smoking pipe graph. There's a W, Z and an L. Entirely predictably, because they can never agree on anything that's important, different economists are championing different

shapes, including in India.

The Swoosh shape signifies that there will be sharp plunge, a longish stay below the trend line of growth and a gradual climb up. HDFC's Abheek Barua thinks India is headed for Swoosh shape. But chief economic advisor KV Subramanian bets on a nice V — contraction, then sharp recovery.

**Economists warn against an L-shaped recovery where initial fall in growth rate doesn't return to trendline**

Barua bats for Swoosh by arguing that "lack of coordination among states, labour shortage and income declines" will hit both demand and supply.

Subramanian sees a V by finding a parallel in economic history. As he had told ET in an interview: "The Spanish flu is a reasonable proxy... and because there was a V-shaped recovery, I think it is reasonable to say that we can expect the same."

# All Eyes on Virus Containment

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May be the smokin' hot graph of post-Covid recovery is the one that looks like those old-fashioned tobacco pipes. NR Bhanumurthy, professor at the National Institute of Public Finance and Policy, says that's our near future. A pipe graph is a V graph with a longer tail — the recovery isn't one that happens quickly over one quarter but over two-three quarters.

Mind you, the pipe is different from the Swoosh, because in the latter the economy bears the pain for longer. And of course U is different from both. U happens when the base of V gets extended, and growth stays bad longer, but unlike in Swoosh or pipe, the recovery is sharp.

As DK Joshi, chief economist at CRISIL, explains: "If you assume the virus is contained by June-July, then you will get a V-shaped recovery, but if that does not happen and recovery again falters then its shape will change — and we will get an U."

If you don't get a V, though, pray for an U or a Swoosh or a pipe — because a W is scarier. If the infection returns in full force, forcing more stringent lockdowns, and economy shutdowns, growth will plunge after initial recovery, and only then recover.

Aditi Nayar, principal economist, ICRA, bets on a V but says a "second wave of infections...could result in a W-shaped economic cycle."

Bottom line? Pray for a Z and pray harder we never get an L.

A Z-shaped recovery is when a post-lockdown spending surge is so fierce that growth is lifted above trendline and then after a party settles down to trend.

An L-shaped trajectory is when after the initial fall in growth rate doesn't return to trendline, the economy never gets its mojo back.